



SRA INTERNATIONAL  
ANNUAL MEETING  
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# Deep Dive: SBIR-STTR Fraud and False Claims

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## **Today's Objective**

- **SBIR-STTR Overview**
- **U.S. v. Aldissi / US v. Nayak**
  - **Specifics of the Case**
    - **Why it was wrong**
  - **How could it have been avoided?**
- **Institutional Role / Responsibilities**

## United States v. Aldissi 11th Cir. 2018

- Florida Scientists
- Husband and Wife
- Convicted of fraud
  
- Sentenced to 14 years –
- \$10.5 million awarded SBIR-STTR
- Falsified company records, partnerships, resources, and funding

## United States v. Nayak 6th Cir. 2023

- Husband and Wife
- Kentucky
- Convicted of fraud
- Forged subcontracts
- Mis-spent SBIR funds
  
- Sentenced to 4.5 years collectively
- Over 2(m) in restitution

# SBIR – STTR

## Overview

## What Are They?

### SBIR

Small **B**usiness **I**nnovation **R**esearch (**SBIR**)

### STTR

Small **B**usiness **T**echnology **T**ransfer(**STTR**)

# What Are They?

## Federal funding (grants/awards)

- small businesses
- research and development
- Commercialization

\*Extended through 2025.

## Participating Agencies



SBIR

## Participating Agencies

STTR

Department of Agriculture  
(USDA)

Department of  
Commerce  
(DoC)

Department of Defense  
(DoD)

Department of Education  
(ED)

Department of Energy  
(DOE)

Department of Health  
and Human Services  
(HHS)

Department of Homeland  
Security  
(DHS)

Department of  
Transportation  
(DOT)

Environmental  
Protection Agency  
(EPA)

National Aeronautics and  
Space Administration  
(NASA)

National Science  
Foundation  
(NSF)

## Award Year 2023

SBIR	STTR
5294	1288
Total funding: \$3,814,738,490.55	Total funding: \$614,232,134.09

# SBIR-STTR Overview

## Phase 1

### Feasibility

Technical merit  
Proof of Concept  
Smaller Budgets  
<\$150,000

6-12 Months  
(options)

## Phase 2

### Research & Development

Prototyping  
Demonstration  
Larger Budget  
<\$1,000,000

24 Months  
(options)

## Phase 3

### Commercialization

Ultimate Goal  
Industry Funded  
Other Agency Funds

**SBIR *and* STTR**

Small Business  
Innovation  
Technology  
Commercialization

## **SBIR and STTR**

Only available to Small Businesses

For-profit business

Located in U.S.

500 or fewer employees

At least 51% owned and controlled by

At least one U.S. Citizen or business

All work must be performed within the U.S.

## **SBIR**

Small Business (SBC) *May* Partner  
with Research Institution (RI)

*Project* PI must employed primarily  
with SBC

# SBIR-STTR Differences

## SBIR

### May

Partner with Research Institution (RI)

### Project Lead

Employed primarily with Small Business

## STTR

### Must

Partner with Research Institution

### Project Lead

Employed primarily with Small Business or  
Research Institution

- SB: at least 40% of work
  - RI: at least 30% of work
  - Allocation of IP Rights
- \*may be incorporated into subcontract

# SBIR-STTR Fraud and False Claims



Photo courtesy: Tampa Bay Times

## SBIR-STTR Fraud and False Claims

- Between 1997 - 2011
- Applied for over \$24 million in SBIR and STTR contracts and grants.
- Forged letters of support using cut and paste methods and Photoshop
- Inflated their companies' number of employees; and
- Misrepresented access to lab space, equipment, and physical address; Aldissi's eligibility to serve as PI
- Inflated price quotes from consultants and subcontractors they did not intend to and did not use;
- Mischaracterized their relationships with research institutions and commercial partners.

## SBIR-STTR Fraud and False Claims

- August 2009, Aldissi submitted NASA Proposal “system for generating potable water in space.”
- Designated himself as PI and Anastasia as the senior staff scientist.
- Company address was his home
- Claimed 2500 Square Foot Laboratory; collaboration with universities including LSU, USF and UF.
- Forged letters of support from experts
- NASA awarded \$99,999.

- Performed the work.
- *“The government’s evidence established, however, that the research was not undertaken with the professors, staff or facilities petitioners had described in their proposals and in fact may have sometimes been performed in the bathroom of petitioner’s homes.”*

# SBIR-STTR

## Fraud and False Claims

- Performed the work.
- *“The government’s evidence established, however, that the research was not undertaken with the professors, staff or facilities petitioners had described in their proposals and in fact may have sometimes been performed in the bathroom of petitioner’s homes.*
- Investigators asked for records
- Wife provided fake collaboration agreements
- Fabricated time sheets



U.S. v. Nayak  
6th Cir. 2023

# SBIR-STTR

## Fraud and False Claims

- 2009 Subhadarshi Nayak and his then-wife, Jyoti Agrawal, Created ScienceTomorrow, LLC,
- 2012 Applied for and received, \$153,696.00 in Phase I SBIR DOE funding.
- 2013 Applied for Phase II funding \$999,266.00
- University of Tennessee, proposal letter of commitment to subcontract for \$221,576.00.
- Submitted Phase II proposal - inflated UT's budget to \$300,006.00
- 2014 Received the award.
- The grant contemplated the \$300,006.00 subcontract with the University of Tennessee.
- UT did the work but were never paid.
- Subcontract was never finalized.

# SBIR-STTR

## Fraud and False Claims

- Nayak and Agrawal divorced but
- Continued work working on the project and drawing down on the grant.
- Agrawal used a portion of the DOE Phase II funds to pay her MBA tuition at the University of Chicago
  
- 2017 Nayak Phase I SBIR grant from the EPA soil remediation grant.
- Falsely claimed subcontract from University of Kentucky
- The EPA awarded a \$100,000.00 Phase I

# SBIR-STTR

## Fraud and False Claims

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- Continued work working on the project and drawing down on the grant.
- Agrawal used a portion of the DOE Phase II funds to pay her MBA tuition at the University of Chicago
  
- 2017 Nayak Phase I SBIR grant from the EPA soil remediation grant.
- Falsely claimed subcontract from University of Kentucky
- The EPA awarded a \$100,000.00 Phase I
- Sentenced to six months in federal prison and six months of home detention.
- Restitution to the EPA and DOE – in installments.
- Five-year exclusion from federal research.

### **Aldissi**

Forged support letters cut and paste, Photoshop inflated price quotes from consultants and subs they did not intend to, in fact, did not use,” and “mischaracterized their relationships with Universities and and commercial partners

### **Nayak**

forged a letter of commitment from UT inflated UT’s proposed budget, and mischaracterized extent of UT relationship with QMetry likewise misrepresented a partnership with the University of Kentucky and its soil science professor.

# SBIR-STTR

## Fraud and False Claims

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## False Claims Act 31 U.S.C. § 3729 (a)(1)

### Civil Liability for

- **knowingly** presenting, or causing to be presented, a false or fraudulent claim to the government for payment or approval;
- **knowingly** making ... a false record or statement **material** to a false or fraudulent claim to the government...

- S

## False Claims Act 31 U.S.C. § 3729 (b)(1)

“knowing” and “knowingly” is defined as

- Having **actual knowledge** of the information;
- Acting in **deliberate ignorance** of the truth or falsity of the information; or
- Acts in **reckless disregard** of the truth or falsity of the information
- Not required to prove intent to defraud

But if the small business company committed the acts,  
How does this affect Institution?

- What role did Institution Play in preparing the proposal
- Relationship between Inst. and the Small Business
- Did Inst. know or have reason to Know
- Due Diligence

## Mitigation Steps

- Secretary of State Business/Corporation Search
- Course of Action
- Contact COI Office
- COI Management Plan

## Finally

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- SBIR – STTR : Promote Small Business
- Research Institution: Valuable Resource
- Each Entity Bears Responsibility



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